

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 BRASILIA 000128

SIPDIS

STATE PLEASE PASS TO USTR/CHOOKER
GENEVA PASS USTR/AGREENIDGE
USDOC FOR 3134/USFCS/OIO/WH/EOLSON
USDOC FOR 4332/ITA/MAC/WH/OLAC/MWARD

E.O. 12958: N/A

TAGS: [ETRD](#) [BR](#) [WTO](#)

SUBJECT: WTO SERVICES NEGOTIATIONS: REQUEST FOR COMMENTS
ON U.S. MARKET ACCESS PRIORITIES

REF: 04 STATE 270998

1. This cable is based upon input provided by FCS Sao Paulo.

2. Per reftel request, below is a ranking of the various service sectors in terms of priority for the USG and level of openness. Where appropriate, we have included comments regarding doing business issues for a specific sector.

3. Begin text.

SECTOR	PRIORITY LEVEL	LEVEL OF OPENNESS
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LEGAL SERVICES	3	MEDIUM
COMMENT: FOREIGN COMPANIES CAN OPERATE THROUGH PARTNERSHIP WITH LOCAL FIRMS OR BY ESTABLISHING AN OFFICE IN THE COUNTRY AND HIRING LOCAL ATTORNEYS. FOREIGN PROFESSIONALS CANNOT PRACTICE IN BRAZIL DIRECTLY.		
ACCOUNTING, AUDITING AND BOOKKEEPING SERVICES	5	LOW
COMMENT: ONLY LOCAL ACCOUNTANTS REGISTERED AT THE ACCOUNTANTS' COUNCIL CAN PROVIDE SERVICES. THE BRAZILIAN BOOKKEEPING SYSTEM IS SLIGHTLY DIFFERENT FROM THAT OF THE U.S.		
ARCHITECTURAL SERVICES	5	LOW
COMMENT: FOREIGN ARCHITECTS MUST HAVE THEIR DEGREES VALIDATED IN BRAZIL. THE PROCESS IS VERY COMPLICATED AND TAKES A LONG TIME.		
ENGINEERING AND INTEGRATED ENGINEERING SERVICES	3	MEDIUM
COMMENT: FOREIGN FIRMS ARE REQUIRED TO HAVE A LOCAL REPRESENTATIVE WHO HOLDS A LICENSE TO PRACTICE ENGINEERING IN THE COUNTRY, AND THE COMPANY HAS TO BE REGISTERED AS AN ENGINEERING FIRM IN BRAZIL.		
URBAN PLANNING AND LANDSCAPE ARCHITECTURAL SERVICES	5	LOW
COMMENT: FOREIGN ARCHITECTS MUST HAVE THEIR DEGREES VALIDATED IN BRAZIL. THE PROCESS IS VERY COMPLICATED AND TAKES A LONG TIME.		
COMPUTER AND RELATED SERVICES	3	MEDIUM
Comment: Computer and peripherals are manufactured in Brazil. (One example is Dell Computers.) Almost all electronic components used in the industry are imported. However, used computers and peripherals cannot be exported to Brazil. Open Source Software is being adopted by the Brazilian government. Brazil is set to adopt a digital TV standard in the near future.		
RESEARCH AND DEVELOPMENT SERVICES	1	HIGH
REAL ESTATE SERVICES	3	MEDIUM
COMMENT: FOREIGN COMPANIES CAN OPERATE THROUGH PARTNERSHIP WITH LOCAL FIRMS OR BY ESTABLISHING AN OFFICE IN THE COUNTRY.		
RENTAL/LEASING SERVICES	3	HIGH
ADVERTISING SERVICES	5	HIGH
MARKET RESEARCH AND PUBLIC OPINION, POLLING SERVICES	N/A	
MANAGEMENT CONSULTING SERVICES	1	HIGH
COMMENT: IN CASES INVOLVING THE TRANSFER OF TECHNOLOGY, THERE IS A LENGTHY REGISTRATION PROCESS AT INPI - THE BRAZILIAN INSTITUTE OF INTELLECTUAL PROPERTY. IN ADDITION, ALL IMPORTS OF SERVICES ARE SUBJECT TO THE FOLLOWING TAXES/FEES: IRRF - INCOME TAX: 15%, CIDE - CONTRIBUTION TO THE ECONOMIC INTERVENTION DOMAIN: 10%, ISS - MUNICIPAL SERVICES TAX: 5%, AND PIS/COFINS - SOCIAL		

INTEGRATION AND SOCIAL SECURITY FINANCING CONTRIBUTIONS:
9.25%.

TECHNICAL TESTING AND ANALYSIS SERVICES	3	MEDIUM
SERVICES INCIDENTAL TO AGRICULTURE, HUNTING AND FORESTRY, AND FISHING	1	MEDIUM

SERVICES INCIDENTAL TO MINING 3 MEDIUM
COMMENT: POTENTIAL ONLY FOR FRONT-END ENGINEERING STUDIES, SUCH AS MINERAL PROCESS ADVANCED CONTROL SYSTEMS. IN GENERAL, FOREIGN SUPPLIERS MUST WORK IN CONSORTIUM WITH LOCAL COMPANIES, BOTH TO LOWER COSTS AND TAP LOCAL EXPERTISE.

ENERGY SERVICES 1 HIGH
COMMENT: ELECTRICAL POWER DISTRIBUTION AND OIL AND GAS SERVICES TAKE PLACE IN BRAZIL PURSUANT TO A CONCESSION REGIME ADMINISTERED BY THE BRAZILIAN GOVERNMENT. THESE SERVICES ARE EQUALLY OPEN TO DOMESTIC AND FOREIGN COMPANIES. THE PRINCIPAL DIFFICULTY FACED BY U.S. FIRMS IN THESE MARKET SEGMENTS IS NOT MARKET ACCESS, BUT INADEQUATE CONTRACT STABILITY, DELAYS IN OBTAINING ENVIRONMENTAL PERMITS, AN UNSTABLE REGULATORY SYSTEM (ESPECIALLY IN THE POWER SECTOR), AND THE NEED TO MEET LOCAL EQUIPMENT REQUIREMENTS. HOWEVER, ALL OF THESE ISSUES EQUALLY AFFECT DOMESTIC AND FOREIGN COMPANIES OPERATING IN BRAZIL.

PLACEMENT AND SUPPLY SERVICES OF PERSONNEL	4	HIGH
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INVESTIGATION AND SECURITY	3	MEDIUM
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RELATED SCIENTIFIC AND TECH CONSULTING SERVICES	1	HIGH
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COMMENT: IN CASES INVOLVING TRANSFER OF TECHNOLOGY, THERE IS A LENGTHY REGISTRATION PROCESS AT INPI - THE BRAZILIAN INSTITUTE OF INTELLECTUAL PROPERTY.

MAINTENANCE AND REPAIR OF EQUIPMENT	5	HIGH
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BUILDING/CLEANING SERVICES	5	HIGH
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PHOTOGRAPHIC SERVICES	5	HIGH
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PACKAGING SERVICES	2	MEDIUM
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PRINTING, PUBLISHING	2	MEDIUM
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CONVENTION SERVICES	2	HIGH
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COURIER SERVICES (EXPRESS DELIVERY)	1	MEDIUM
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TELECOMMUNICATION SERVICES	1	MEDIUM
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AUDIOVISUAL SERVICES	N/A	
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CONSTRUCTION AND RELATED ENGINEERING	3	MEDIUM
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COMMENT: FOREIGN FIRMS ARE REQUIRED TO HAVE A LOCAL REPRESENTATIVE WHO HOLDS A LICENSE TO PRACTICE ENGINEERING IN THE COUNTRY, AND THE COMPANY HAS TO BE REGISTERED AS AN ENGINEERING FIRM IN BRAZIL.

DISTRIBUTION SERVICES	1	HIGH
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ENVIRONMENTAL SERVICES	3	MEDIUM
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COMMENT: THE MARKET IS RELATIVELY SMALL BUT EXPANDING, PARTICULARLY IN THE REMEDIATION AND CLEAN UP OF CONTAMINATED SITES BUSINESS. U.S. COMPANIES USUALLY ASSOCIATE WITH LOCAL ENVIRONMENTAL COMPANIES FOR THE DEVELOPMENT OF SPECIFIC PROJECTS.

BANKING AND OTHER FINANCIAL SERVICES INCLUDING SECURITIES	4	HIGH
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Comment: Brazil's Central Bank regulates banking and financial services, and maintains strict accounting and operational supervision. Private pension funds are among the fastest growing sectors of the Brazilian economy, and consists of open funds (including those similar to U.S. 401(k) plans) and closed funds.

INSURANCE SERVICES	4	HIGH
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Comment: U.S. companies wishing to enter into the Brazilian insurance market are advised to do so through a joint venture, acquisition or partnership with a local company, or to open a subsidiary. Under current legislation, insurance companies must be organized as corporations (Sociedade Anonima, or S/A), and submit to local regulatory authorities an application to operate as an insurance company. The insurance company may not engage in activities other than insurance. These same

rules apply to reinsurance companies, though their scope for action is limited by the existence of a government monopoly reinsurer, the Brazilian Reinsurance Institute (IRB). Foreign firms currently are barred from offering reinsurance on their own account, but may conduct business with the IRB. Foreign insurance companies may establish a representative office in Brazil, but are not allowed to engage in certain insurance activities, such as issuing policies. Current legislation allows foreign insurance companies to hold the entire equity participation or voting stock of a Brazilian insurance company.

End Text.

CHICOLA